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National Intelligence Bulletin

March 10, 1975

CONTENTS

SOUTH VIETNAM: The military situation. (Page 1)

CAMBODIA: [REDACTED]

(Page 3)

25X1

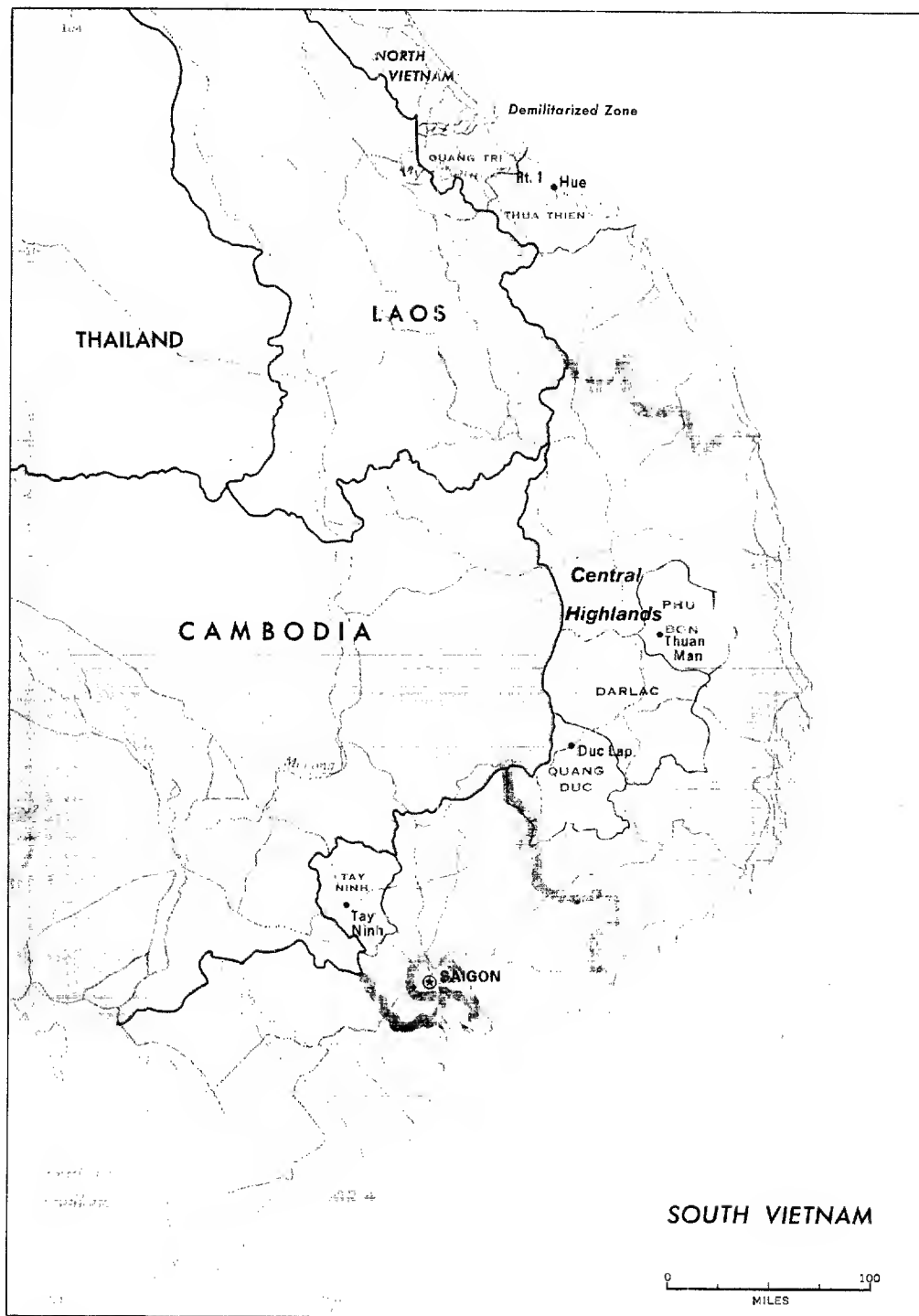
PORTUGAL: Leftist violence further weakens prospects for peaceful elections next month. (Page 5)

25X1

INTERNATIONAL ENERGY AGENCY: Members have agreed to consider development of alternative energy sources by oil-importing states. (Page 8)

25X1

25X1



557449 3-75

National Intelligence Bulletin

March 10, 1975

SOUTH VIETNAM

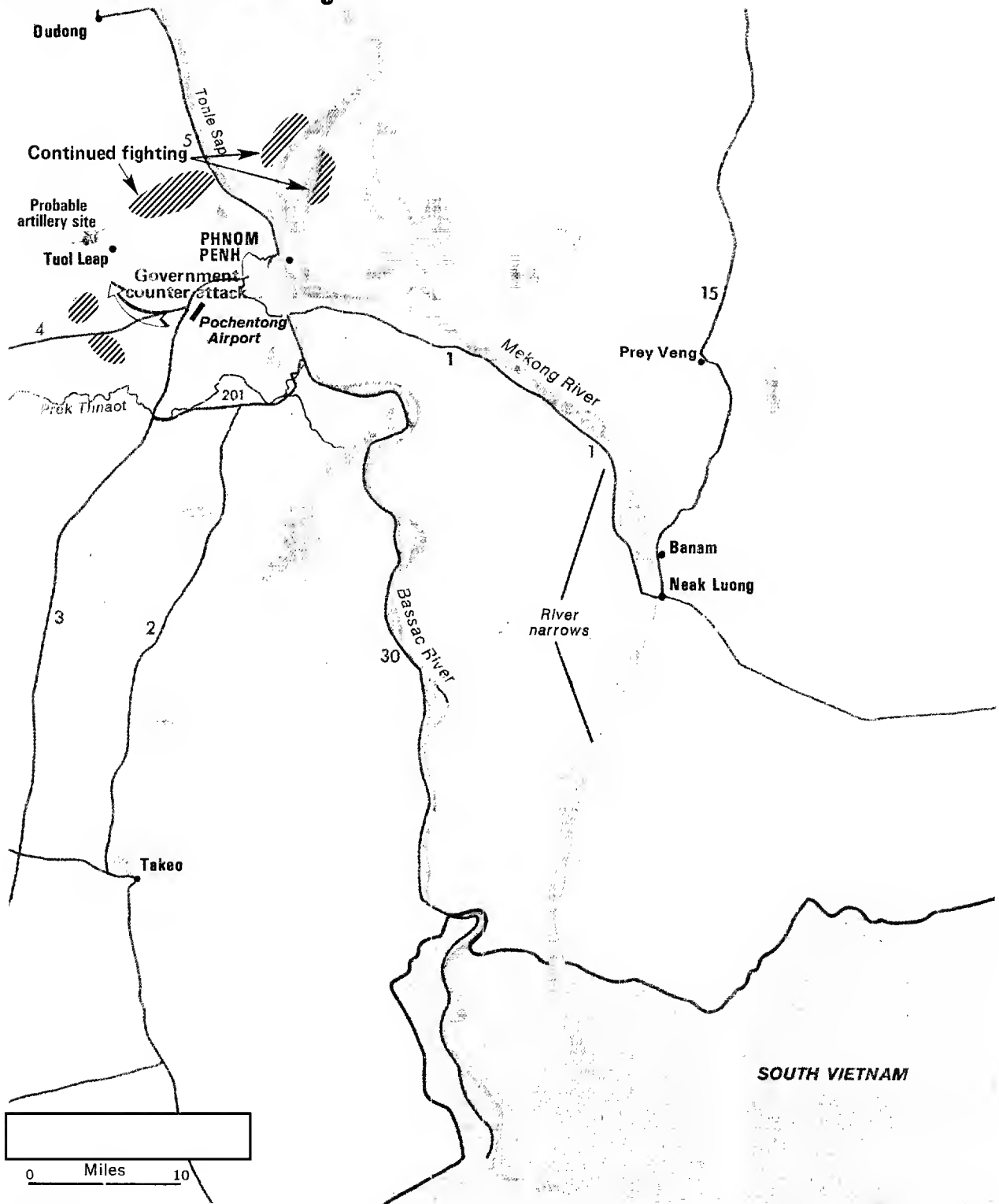
The Communists opened new battlefronts in the central highlands and in northern Military Region 1 over the weekend. North Vietnamese forces attacked and overran the remote district town of Thuan Man in Phu Bon Province on March 8 and are pressuring a second--Duc Lap--in Quang Duc Province.

North Vietnamese troops reportedly fought their way this morning into Ban Me Thuot, capital of Darlac Province. The government fears that the main thrust of the renewed Communist campaign will be directed at poorly defended South Vietnamese targets in the southern tier of highland provinces. South Vietnamese commanders have speculated that following the interdiction of the government's main overland supply lines, the Communists would turn their attention southward to improve their access from the highlands to Military Region 3 and the provinces around Saigon. The recent upsurge in activity in the border area of Quang Duc suggests that such a strategy may be unfolding.

In the northern provinces, Communist forces have increased attacks against government positions in Quang Tri and Thua Thien provinces, overrunning at least 15 hamlets and interdicting Route 1 north of Hue at the My Chanh River. [redacted] in most instances, the government's local militia broke and ran, permitting the Viet Cong local forces easy access to the lowland areas. Farther south, North Vietnamese main forces are responsible for renewed pressure against the government's marine, airborne, and First Infantry divisions. Details of the fighting are sketchy, but the South Vietnamese reportedly have been forced out of one position on high ground southeast of Hue.

Fighting elsewhere in the country was light, although some step-up in Communist harassing attacks was reported in Tay Ninh Province. Government commanders continue to predict that the Communists will resume combat in the southern half of the country within the week. [redacted]

Cambodia: Lower Mekong



5574 50 3-75

National Intelligence Bulletin

March 10, 1975

CAMBODIA

A major shake-up in the military command structure is in the offing, and an untidy political situation could result.

Within a few days, President Lon Nol will downgrade the position of armed forces commander in chief, in effect demoting senior Cambodian Army General Sosthene Fernandez. Moreover, the civilian-led Defense Ministry will apparently be given increased powers over the armed forces. In implementing these changes, Lon Nol is clearly responding to pressure from Prime Minister Long Boret, who on Friday announced his intention to resign unless Fernandez was replaced and civilian control over the military increased. Boret has the backing of the Senate and National Assembly, which last week passed resolutions demanding increased powers for the civilian government.

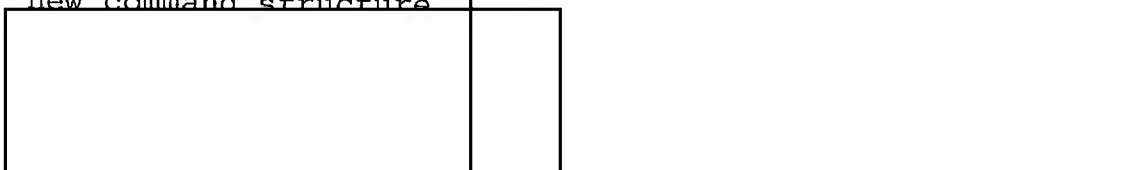
At this point, even minor governmental changes in Phnom Penh could destroy the facade of unity at top leadership levels and adversely affect the US Congressional vote on supplemental aid for Cambodia. Boret on Saturday appeared persuaded that he should postpone his planned changes until after the vote on supplemental aid. Yesterday, however, Lon Nol said that he would proceed, repeating Boret's earlier argument that a change in military leadership was necessary to boost the sagging morale of the armed forces. Lon Nol also said that Boret would not go through the formal process of dissolving the present government to reshuffle his cabinet. Instead, cabinet changes would be in the nature of behind-the-scenes "adjustments," the most important of which will probably be the appointment of respected roving ambassador Sak Sutsakhan as defense minister with widely expanded powers.

Although Fernandez may try to fight his demotion, he has come to symbolize the inadequacies of the government's military performance, and there is a groundswell for his departure in both civilian and military circles.

National Intelligence Bulletin

March 10, 1975

Fernandez may resign rather than accept a less powerful post. If he does, a period of intense infighting may follow as other senior officers vie for dominance in the new command structure.



The planned command shake-up also runs broader risks. As the battlefield situation has deteriorated, increasing numbers of influential Cambodians have expressed the belief that some way must be found to break the current impasse on a settlement before the government's military position crumbles completely. Such elements might seize upon any confrontation or confusion resulting from the planned shake-up to try and force more dramatic changes--such as the departure of the current top leadership--in hope of bringing an early end to the fighting.

Meanwhile, the airlift of ammunition, rice, and fuel to Phnom Penh continued at scheduled levels over the weekend despite sporadic Communist rocket and artillery attacks against Pochentong airport. The government operation to retake the town of Tuol Leap and to eliminate insurgent rocket and artillery positions in the airport area remains stalled. Having met stiff resistance during head-on attacks in the first four days of the operation, the local government commander has attempted a flanking maneuver, but this too is meeting heavy opposition. The Communists, however, are being required to use their artillery to hold off these government ground attacks, and this may be limiting their shellings against Pochentong.

Elsewhere in the capital area, government forces have fought off a brief penetration by insurgents of the defense line near Route 5 north of the city, but fighting in the area continues. Heavy though inconclusive fighting continues around the government navy base at Neak Luong and at the nearby river town of Banam.



National Intelligence Bulletin

March 10, 1975

PORTUGAL

An outbreak of violence by leftist extremists aimed at the center-left Popular Democratic Party has further weakened the prospect for peaceful elections next month.

The trouble began last Friday when the extremists attempted to break up a Popular Democratic Party meeting in Setubal, near Lisbon. Shooting broke out as police tried to clear demonstrators from the area; three deaths have been reported. Leftist extremists later protested at the Setubal police headquarters, and troops were rushed in from Lisbon to maintain order in the town. The Communist Party, strong in Setubal, has officially denounced the violence.

Previous left-wing violence in Portugal has been aimed at parties to the right of center--the Social Democratic Center and the Christian Democratic Party. It is only recently that the Popular Democrats, largely middle class in membership and part of the three-party government coalition, have come under attack.

The unwillingness or inability of the provisional government in Lisbon to control the extreme left and to prevent violence is frightening moderate parties and has already hampered the ability of the Social Democratic Center to campaign effectively. The Popular Democratic campaign will also be severely affected if the party cannot count on adequate protection.

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The Popular Democrats fear that the Setubal incident will be used by leftist military officers to postpone or cancel the elections on the grounds that public order cannot be maintained.

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25X1

Next 1 Page(s) In Document Exempt

National Intelligence BulletinMarch 10, 1975

INTERNATIONAL ENERGY AGENCY

The members of the International Energy Agency agreed last week to consider a plan to encourage development of alternative energy sources by oil-importing states. This small step moved the oil-consuming nations closer to the common stand that the US has insisted is a prerequisite to any meeting with the oil-producing states.

The plan must be reviewed by the energy agency's 18 members--and indirectly by France, which is not a member--before the agency's governing board returns to Paris on March 19-20. At that time, the board will probably adopt the plan and give its formal blessing to a preparatory meeting of oil producers and consumers set for April 7 at the initiative of French President Giscard.

The plan provides for:

--Agreement by participating countries to encourage and safeguard investments in alternative energy sources. In perhaps the most important breakthrough of the meeting, the members recognized that any effort to reduce dependence on imported oil would be jeopardized if such imports could be sold below an agreed price. Price levels will now become a key issue in the energy agency's negotiations.

--Financial and technical assistance for designated energy projects.

--Cooperation in research and development in the energy field.

The eight members of the International Energy Agency who are also members of the EC must now discuss the plan with France in order to help forge a common EC energy policy. The eight would not want to commit themselves to the plan if France were to remain uncommitted and its industries able someday to purchase imported oil at lower prices.

National Intelligence BulletinMarch 10, 1975

France has recently been more willing than before to cooperate on energy matters. Particularly in this instance, Giscard probably realizes that a stalemate on the issue of alternative energy sources would delay the French-sponsored meeting with the oil-producing countries next month.

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Next 3 Page(s) In Document Exempt

Top Secret

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Top Secret



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